



## State of North Carolina Office of Information Technology Services

Michael F. Easley, Governor

Ronald P. Hawley, State Chief Information Officer

### E-Procurement Fact Sheet

- E-procurement, an online purchasing system, will use a statewide enterprise approach that reflects Governor Easley's commitment to one North Carolina, resulting in cost savings for taxpayers.
- The project to implement this system has been initiated through a collaborative partnership among the Department of Administration, the Office of the State Controller, and the Office of Information Technology Services.
- An option was exercised on the existing contract for the state portal and e-government project office that was awarded through a competitive process. The option implements a self-funding model that requires no money from state appropriations. The self-funding model is based on marketing fees. Accenture, previously Andersen Consulting, will provide the infrastructure investment.
- As provided by statute, after costs are recovered, marketing fees will be shared with participants for e-government initiatives.
- Cost savings with an e-procurement system are realized through price savings as requirements are aggregated and purchases are leveraged, and through process improvements. Breadth of participation is a critical success factor to achieving these savings. In addition to state agency participation, local governments, K-12 schools, universities, and community colleges can participate.
- Industry averages indicate a typical price savings of 3-10% annually and a reduction in purchase order (PO) processing costs of 67%. The state estimates that it processes more than 572,000 POs annually; so, cost reductions in processing a PO can have a very significant impact. The state is being conservative in its cost saving estimates.
- Several leading edge states are in the process of adopting e-procurement solutions. According to a report from technology research firm Gartner, 77% of government CIOs surveyed said that they plan to implement an e-procurement solution within the next three years.
- E-procurement provides economic development opportunities as suppliers can join the force of companies transacting business over the Internet. It also provides the opportunity for suppliers to achieve improved business processes, receive more accurate orders, process orders more efficiently, and receive more timely payments.
- The e-procurement system will be governed by an Operations Committee that consists of membership from the key stakeholders including OSC, ITS, and DOA, as well as the vendor.
- Accenture will configure and deploy the Epylon e-procurement service using Ariba (R) Buyer (TM) 7.0. With this robust, scaleable, public sector solution, state agencies will gain electronic access to the Epylon Supplier Network giving the state ease of access to an expanded supplier base for competitive pricing and product information, while aggregating its own purchasing to negotiate prices on the basis of economies of scale.
- The state is conservatively estimating that in year 3, upon full implementation, 12% of the state's total purchasing spend (including state agencies, community colleges, universities, school districts, counties and municipalities), or \$1,187,000,000, will go through the e-procurement system. A similar spend is anticipated for year 4. In year 1, we project that 3% of total spend will be processed through the system and in year 2, 9% of the spend is projected to go through the system.